

HOUSE BILL 283

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2001 Regular Session
1lr1338
CF 1lr1579

By: **Delegates Gordon, Love, and Sophocleus**
Introduced and read first time: January 26, 2001
Assigned to: Economic Matters

Committee Report: Favorable with amendments
House action: Adopted
Read second time: February 13, 2001

CHAPTER _____

1 AN ACT concerning

2 **Insurance - Late Fees for Late Payment of Premiums and Installment Fees**

3 FOR the purpose of authorizing authorized insurers to charge and collect, instead of
4 or in addition to a certain installment fee, a certain late fee for late payment of
5 insurance premiums under certain circumstances; establishing the maximum
6 amount of the late ~~fee fees and installment fees~~; requiring the Insurance
7 Commissioner to ~~make a certain determination in approving a proposed late fee~~
8 review certain expenses associated with late payments or installment payments;
9 prohibiting the imposition of a late fee during certain grace periods; requiring an
10 insurer to credit certain payments to certain premiums under certain
11 circumstances; prohibiting the cancellation of an insurance policy for failure to
12 pay a single late fee or single installment fee; and generally relating to late fees
13 for late payment of premiums for insurance and installment fees imposed by an
14 insurer.

15 BY repealing and reenacting, with amendments,
16 Article - Insurance
17 Section 27-216(b)
18 Annotated Code of Maryland
19 (1997 Volume and 2000 Supplement)

20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
21 MARYLAND, That the Laws of Maryland read as follows:

Article - Insurance

27-216.

(b) (1) A person may not willfully collect a premium or charge for insurance that:

(i) exceeds or is less than the premium or charge applicable to that insurance under the applicable classifications and rates as filed with and approved by the Commissioner; or

(ii) if classifications, premiums, or rates are not required by this article to be filed with and approved by the Commissioner, exceeds or is less than the premium or charge specified in the policy and set by the insurer.

(2) Paragraph (1) of this subsection does not prohibit:

(i) a surplus lines broker that holds a certificate of qualification under Title 3, Subtitle 3 of this article from charging and collecting applicable State and federal taxes in addition to the required premium;

(ii) a life insurer from charging and collecting the amount actually expended for a medical examination of an applicant for life insurance or reinstatement of a policy of life insurance;

(iii) a broker from charging a fee, not exceeding 15% of the premium, for services rendered in replacing insurance in an insurer if commissions are not payable by the insurer; OR

(iv) an agent or broker from charging and collecting, as actual expenses incurred in placing automobile insurance with the Maryland Automobile Insurance Fund:

1. a maximum charge of \$10 plus \$1 more than the actual charge by the Motor Vehicle Administration for a driving record required to be presented with the application, unless otherwise provided by the Fund; or

2. the amount provided in subsection (e) of this section[; or

(v) an authorized insurer from charging and collecting reasonable installment fees as approved by the Commissioner].

(3) (I) SUBJECT TO SUBPARAGRAPHS (II), (III), AND (IV), AND (V) OF THIS PARAGRAPH, PARAGRAPH (1) OF THIS SUBSECTION DOES NOT PROHIBIT AN AUTHORIZED INSURER FROM CHARGING AND COLLECTING, IF APPROVED BY THE COMMISSIONER, REASONABLE INSTALLMENT FEES OR REASONABLE FEES FOR LATE PAYMENT OF PREMIUMS BY POLICYHOLDERS OR BOTH.

(II) ~~A LATE FEE IMPOSED UNDER THIS PARAGRAPH MAY NOT EXCEED \$10.~~

1 (III) ~~IN APPROVING A PROPOSED LATE FEE, THE COMMISSIONER~~
2 ~~SHALL DETERMINE THAT IT IS SUFFICIENT TO OFFSET ADMINISTRATIVE EXPENSES~~
3 ~~ASSOCIATED WITH LATE PAYMENTS.~~

4 (IV) ~~A POLICY OF INSURANCE MAY NOT BE CANCELED FOR THE~~
5 ~~FAILURE TO PAY A SINGLE LATE FEE.~~

6 (II) THE COMMISSIONER SHALL REVIEW ADMINISTRATIVE
7 EXPENSES SUBMITTED BY AN INSURER THAT ARE ASSOCIATED WITH LATE
8 PAYMENTS OR INSTALLMENT PAYMENTS, AND MAY APPROVE A LATE FEE OR
9 INSTALLMENT FEE NOT TO EXCEED \$10.

10 (III) A LATE FEE MAY NOT BE IMPOSED DURING ANY GRACE PERIOD
11 REQUIRED BY LAW OR REGULATION ON A POLICY OF INSURANCE.

12 (IV) AN INSURER SHALL CREDIT EACH PAYMENT RECEIVED FROM
13 AN INSURED TO THE PREMIUM OWED BY THE INSURED BEFORE CREDITING THE
14 PAYMENT TO A LATE FEE OR INSTALLMENT FEE OWED BY THE INSURED.

15 (V) A POLICY OF INSURANCE MAY NOT BE CANCELED FOR THE
16 FAILURE TO PAY A SINGLE LATE FEE OR SINGLE INSTALLMENT FEE.

17 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
18 October 1, 2001.